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In the

Supreme Court of the United States

No.

78-1328

BEECH AIRCRAFT CORPORATION,

Petitioner,

VS.

GALE BRABAND and ELIZABETH FORSYTHE,

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF ILLINOIS

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Petitioner BEECH AIRCRAFT CORPORATION, prays that a Writ of Certiorari issue to review the judgment and opinion of the Illinois Supreme Court affirming an order denying Beech's motion to dismiss for lack of personal jurisdiction over Beech.

OPINIONS BELOW

The opinion of the Illinois Supreme Court appears at 72 Ill.2d 548 and 382 N.E.2d 252 (1978) and is printed in

the Appendix hereto. The divided Appellate Court opinion (lead opinion, concurring opinion and dissenting opinion) is reported at 51 Ill.App.3d 296, 367 N.E.2d 118 (1977) and is also printed in the Appendix hereto. The Appellate Court's order granting a certificate of importance to the Illinois Supreme Court, the Illinois Circuit Court's order certifying the question to the Appellate Court, and the Supreme Court's order denying the petition for rehearing are also contained in the Appendix.

JURISDICTION

The opinion and judgment of the Illinois Supreme Court was entered on October 6, 1978 and a petition for rehearing was denied December 1, 1978. This petition for certiorari was filed within 90 days of that date. The statutory provision granting jurisdiction to this Court is contained in 28 U.S.C. §1257 as follows:

"§1257. State courts; appeal; certiorari

Final judgments or decrees rendered by the highest court of a State in which a decision could be had, may be reviewed by the Supreme Court as follows:

(3) By writ of certiorari, where the validity of a treaty or statute of the United States is drawn in question or where the validity of a State statute is drawn in question on the ground of its being repugnant to the Constitution, treaties, or laws of the United States, or where any title, right, privilege or immunity is specially set up or claimed under the Constitution, treaties or statutes of, or commission held or authority exercised under, the United States."

QUESTIONS PRESENTED FOR REVIEW

- 1. Is this Court's holding in Cannon Mfg. Co. v. Cudahy Co., 267 U.S. 333 (1925)—that a subsidiary's presence and activities in the forum state do not constitute the presence and activities of the parent for purposes of asserting in personam jurisdiction over the parent—still the law?
- 2. If so, did the denial of Beech Aircraft Corporation's motion to dismiss for lack of personal jurisdiction in the instant case violate Beech's constitutional rights under the due process clause of the Fourteenth Amendment of the United States Constitution?

APPLICABLE CONSTITUTIONAL PROVISIONS

The constitutional provision applicable to this case is contained in Section 1 of Amendment XIV of the United States Constitution as follows:

"Constitution of the United States, Amendment XIV: Section 1. All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."

STATEMENT OF THE CASE

The case was decided on an "agreed statement of facts" as follows:

Accident In Canada

On December 10, 1971, a Beechcraft B80 Queen Air crashed near an airport on Frobisher Bay in northern Canada. At the time of the crash, the plane was on its way to London, England where it had been purchased by an entity known as Eagle Aircraft Services, Ltd. The three persons on board the plane at the time of the accident were James L. Braband, Donald R. Forsythe and James Going, all pilots. Each was killed in the crash. At the time of the accident, Braband and Forsythe were Illinois residents.

Manufacture Of Aircraft In Kansas And Subsequent History

The aircraft in question was manufactured by Beech Aircraft Corporation in Wichita, Kansas. In 1966, Beech sold the plane to a distributor in San Antonio, Texas. In 1968, the plane was sold by the San Antonio distributor to a Nevada corporation, Mission Broadcasting Company, located in Reno, Nevada. In 1971, Mission Broadcasting Company sold the airplane to Coleman Aircraft Corporation of Morton Grove, Illinois. Coleman in turn sold the plane to Eagle Aircraft Services Ltd., a British corporation, with its principal place of business in London, England. The plane was being delivered to Eagle at the time of the crash.

Lawsuit In Illinois

In 1973, the administrators of the Braband and Forsythe estates filed an action against Beech under the Illinois Wrongful Death Act (Ill. Rev. Stats., Ch. 70, §§1-2) asserting a theory of strict products liability (Appendix 1-7).

Beech's Lack Of Presence In Illinois

Beech does not own, sell, service or maintain aircraft in Illinois. Beech is incorporated in Delaware and has its offices and principal place of business in Wichita, Kansas. Beech is not incorporated in Illinois, is not qualified or authorized to do business in Illinois, and is not otherwise chartered or licensed to do business in Illinois. Beech pays no Illinois taxes of any kind. Beech owns no real estate in Illinois. Beech has no officers, directors, or employees living or stationed in Illinois or any subdivision of Illinois. Beech has no appointed agent in Illinois for service of process. Beech makes no aircraft sales in Illinois. All sales of Beech aircraft are made F.O.B. Wichita, Kansas, with delivery in Wichita.

Hartzog Aviation

Hartzog Aviation Inc., is an Illinois corporation with its principal place of business at the Greater Rockford Airport in Rockford, Illinois. Hartzog buys airplanes from Beech F.O.B. Wichita, Kansas pursuant to a mutually cancellable sales agreement and written purchase orders. Hartzog then attempts to sell the planes which it buys from Beech to Hartzog's customers in certain counties of Illinois, Indiana, Michigan and Wisconsin. Hartzog is a totally independent and separate business corporation. None of the stock of Hartzog is owned by Beech and there are no interlocking directors or officers.

Hartzog also advertises and sells planes made by other manufacturers besides Beech. Hartzog is not a defendant in this lawsuit and the plane involved in the instant crash was never bought, sold, owned or serviced by Hartzog. As set forth in the Agreed Statement of Facts:

"The aircraft involved in this accident which is the subject of this litigation was not owned or sold by Hartzog Aviation. Hartzog is not a defendant to this action. Neither Hartzog nor the relationship between Hartzog and Beech has any relationship to this accident or the aircraft involved herein."

Furthermore, the agreement under which Hartzog purchases airplanes from Beech expressly provides:

"This agreement does not constitute CENTER [Hartzog] the agents or other legal representative of BEECH FOR ANY PURPOSE WHATSOEVER. CENTER is not granted any express or implied right or authority to assume or create any obligation or responsibility on behalf of or in the name of BEECH or to bind BEECH in any manner or thing whatsoever."

Over a nine-year period, Carl Berg, a Beech representative from Wichita, has visited Hartzog a total of twelve times. Only one of Berg's visits involved sales promotion with a potential customer and "no sale was consummated as a result of this visit." One other time four Beech employees from Wichita attended a dinner in Rockford and, in conjunction with Hartzog, presented a film and slide presentation to 60 sales prospects. Again, "no sales were consummated at that time." The stipulated facts further provide:

"The record reflects no further Beech 'activities' in Illinois beyond those detailed above."

Proceedings Below

Circuit Court

On January 9, 1974, Beech filed a special and limited appearance for the purpose of objecting to service and jurisdiction and moved to vacate and quash the service of process on it (Appendix 8-9). On February 15, 1974, the Circuit Court of Cook County ordered Beech to respond to the Amended Complaint "without waiver of its objection to jurisdiction."

On February 18, 1975, the Circuit Court heard Beech's motion to quash and stated that it would enter an order denying the motion. The order was entered on July 28, 1975 and contained the court's certification that its order "involves a question of law as to which there is a substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation" (Appendix 13).

In the course of its decision denying Beech's motion, the Circuit Court accurately remarked:

"There is no case ever decided in Illinois that allowed jurisdiction in Illinois under the circumstances."

Appellate Court

Pursuant to Illinois Supreme Court Rule 308, the Illinois Appellate Court then granted Beech's application for leave to file an interlocutory appeal.

On July 19, 1977, the three-judge Appellate Court affirmed the trial court's dismissal order in a divided opinion containing three separate opinions (lead opinion, concurring opinion, dissenting opinion) (Appendix 14-40).

On August 18, 1977, the Appellate Court granted Beech's application for a certificate of importance to the Illinois

Supreme Court under Supreme Court Rule 316 (Appendix 41).

Supreme Court

The Illinois Supreme Court, while ultimately affirming the Appellate Court, did not wholly adopt either the view of the lead opinion or the concurring opinion. With respect to plaintiff's claim that the Illinois presence of Hartzog Aviation, Inc. constituted the presence of Beech for jurisdictional purposes, the court noted Beech's reliance on this Court's decision in Cannon Mfg. Co. v. Cudahy Co., 267 U.S. 333 (1925). However, the Illinois Supreme Court found Cannon unpersuasive, first because Cannon was decided 20 years before International Shoe Co. v. Washington, 325 U.S. 310 (1945), and second because the Illinois Supreme Court purported not to base its decision on Hartzog's activities "standing alone", but also the presence of Beech personnel in Illinois as follows:

- 1) Beech's marketing manager "frequently" (12 times in 9 years) came to Illinois to promote the sale of Beech planes;
- 2) Beech representatives once put on a sales dinner in Illinois (no sales were consummated):
- 3) The Beech logo had appeared in the Chicago telephone directory in an ad for Hartzog (Appendix 53).

From these sporadic and isolated activities and the Illinois presence of Hartzog, the Illinois Supreme Court concluded that Beech was generally present and amenable to service of process in Illinois for torts whenever and however caused including the instant accident in Canada which undisputedly had no connection with any Illinois activity by Beech or Hartzog (Appendix 42-54).

REASONS RELIED ON FOR ALLOWANCE OF THE WRIT

I.

THE ILLINOIS SUPREME COURT ERRED IN CONSIDERING THE ACTIVITIES OF A SEPARATE AND INDEPENDENT ILLINOIS CORPORATION (HARTZOG) AS THE ACTIVITIES OF A KANSAS CORPORATION (BEECH) FOR PURPOSES OF ASSERTING ILLINOIS JURISDICTION OVER BEECH. MOREOVER, THE CONFLICT AND CONFUSION AMONG THE STATES, THE CIRCUITS AND THE DISTRICTS OVER THE CONTINUING VITALITY OF THE CANNON DECISION SHOULD BE RESOLVED BY THIS COURT.

In Cannon Mfg. Co. v. Cudahy Co., 267 U.S. 333 (1925), this Court held that North Carolina could not assert jurisdiction over Cudahy, a Maine corporation not licensed to do business in North Carolina, even though Cudahy had a wholly-owned Alabama subsidiary licensed and doing business in North Carolina as "the instrumentality employed to market Cudahy products within the State" (267 U.S. at 335). Moreover, in Cannon it was established that:

- 1) The subsidiary bought the parent's products and resold them to dealers in the state (267 U.S. at 335).
- 2) The products were shipped directly from the parent to the in-state dealers (267 U.S. at 335).
- 3) Through ownership of the capital stock or otherwise, the parent "dominated" the subsidiary corporation "immediately and completely;" (267 U.S. at 335)
- 4) The parent "exerts its control both commercially and financially in substantially the same way, and mainly through the same individuals, as it does over those selling branches or departments of its busi-

ness not separately incorporated which are established to market the Cudahy products in other states" (267 U.S. at 335);

Even with this evidence of "ownership," "control," and "domination" (not present in the case at bar), this Court held that the formal separateness maintained between the two corporations was sufficient to prevent the acts of the subsidiary from being considered the acts of the parent for purposes of personal jurisdiction. The Court reasoned (at 335-338):

"The existence of the Alabama Company as a distinct corporate entity is, however, in all respects observed. Its books are kept separate. All transactions between the two corporations are represented by appropriate entries in their respective books in the same way as if the two were wholly independent corporations . . .

The defendant wanted to have business transactions with persons resident in North Carolina, but for reasons satisfactory to itself did not choose to enter the State in its corporate capacity. It might have conducted such business through an independent agency without subjecting itself to the jurisdiction. Bank of America v. Whitney Central National Bank, 261 U.S. 171. It preferred to employ a subsidiary corporation. Congress has not provided that a corporation of one State shall be amenable to suit in the federal court for another State in which the plaintiff resides, whenever it employs a subsidiary corporation as the instrumentality for doing business therein. Compare Lumiere v. Mae Edna Wilder, Inc., 261 U.S. 174, 177-8. That such use of a subsidiary does not necessarily subject the parent corporation to the jurisdiction was settled by Conley v. Mathieson Alkali Works, 190 U.S. 406, 409-11; Peterson v. Chicago, Rock Island & Pacific Ry. Co., 205 U.S. 364; and People's Tobacco Co., Ltd. v. American Tobacco Co., 246 U.S. 79, 87. In the case at bar, the identity of interest may have been more complete and the exercise of control over the subsidiary more intimate than in the three cases cited, but that fact has, in the absence of an applicable statute, no legal significance. The corporate separation, though perhaps merely formal, was real. It was not pure fiction. There is here no attempt to hold the defendant liable for an act or omission of its subsidiary or to enforce as against the latter a liability of the defendant. Hence, cases concerning substantive rights, like Hart Steel Company v. Railroad Supply Co., 244 U.S. 294; Chicago, etc. Ry. Co. v. Minneapolis Civic Association, 247 U.S. 490; Gulf Oil Corp. v. Lewellyn, 248 U.S. 71; and United States v. Lehigh Valley R.R. Co., 254 U.S. 255, have no application.

But whatever might be other legal consequences of the concentration, we cannot say that for purposes of jurisdiction, the business of the Alabama corporation in North Carolina became the business of the defendant." (Emphasis added)

If the presence and activities of a wholly-owned, dominated, and controlled subsidiary did not constitute the presence and activities of the parent "for purposes of jurisdiction" in *Cannon*, then the presence and activities of a distributor (Hartzog) that was not owned, dominated or controlled by Beech, did not constitute the presence and activities of Beech "for purposes of jurisdiction" in the instant case.

Conflict And Confusion Over Vitality Of Cannon

The cases following Cannon are legion. See, e.g.:

1. DeWalker v. Pueblo International, Inc., 569 F. 2d 1169 (1st Cir. 1978) (activities of wholly-owned New York subsidiary not attributable to parent Delaware corporation);

- 2. Williams v. Canon, Inc., 432 F. Supp. 376 (C.D. Cal. 1977) (activities of wholly-owned U. S. subsidiary doing business in California not attributable to Japanese corporation);
- 3. Frito-Lay, Inc. v. Procter & Gamble Co., 364 F. Supp. 243 (W.D. Tex. 1973) (Texas had no jurisdiction over Procter & Gamble Co., even though a wholly-owned subsidiary, with common officers and directors, Procter & Gamble Distrib. Co., did substantial business and sales of Gamble products in Texas);
- 4. McPheron v. Penn Central Transp. Co., 390 F. Supp. 943 (D. Conn. 1975) (activities of Connecticut holding company not attributable to parent Pennsylvania corporation);
- 5. Crow Tribe v. Mohasco Indus., 406 F. Supp. 738 (D. Mont. 1975) (Montana court lacked jurisdiction over non-resident parent corporation where formal separation was maintained between it and its subsidiary doing business within the state);
- 6. Harris v. Deere and Co., 223 F. 2d 161 (4th Cir. 1955) (Illinois defendant corporation not chargeable with activities of wholly-owned North Carolina subsidiary corporation selling defendant's products);
- 7. Smith v. Piper Aircraft Corp., 425 F. 2d 823 (5th Cir. 1970) (Georgia activities of Florida distributor not attributable to Piper, a Pennsylvania corporation);
- 8. Farkas v. Texas Instruments, Inc., 429 F. 2d 849 (1st Cir. 1970) (Massachusetts lacked jurisdiction over parent corporation whose subsidiary was doing business within the state).

Illustrative of the holdings in these cases is this most recent adherence to Cannon in DeWalker v. Pueblo International, Inc., supra, 569 F. 2d at 1172:

"In determining whether a parent is 'doing business' in a state for purposes of personal jurisdiction, the Supreme Court has held that a separately incorporated subsidiary operating in a state ordinarily may not be considered to be the parent for purposes of determining whether the parent is doing business there (citing Cannon)." (Emphasis added)

However, Illinois is not the first court or state to relegate Cannon to "second class" status in order to escape its clear holding. See, e.g.:

- 1. Boryk v. deHavilland Aircraft Co., 341 F. 2d 666 (2d Cir. 1965) (Delaware subsidiary's New York activities attributable to British parent).
- 2. Hitt v. Nissan Motor Co., Ltd., 399 F. Supp. 838 (S.D. Fla. 1975) (activities of U. S. subsidiary attributable to Japanese parent).
- 3. Wells Fargo & Co. v. Wells Fargo Exp. Co., 556 F. 2d 406, 423 (9th Cir. 1977) (activities and presence of Nevada subsidiary attributable to Liechtenstein corporation).
- 4. Energy Reserves Group, Inc. v. Superior Oil Co., 460 F. Supp. 483 (D. Kan. 1978) (parent corporation's Kansas activities attributable to British subsidiary).
- 5. ASC Industries, Inc. v. Keller Industries, Inc., 296 F. Supp. 1160, 1163 (D.C. Conn. 1969) (activities of whollyowned Connecticut subsidiary attributable to Florida parent).

An example of the view of these cases is this recent statement in *Energy Reserves Group*, *Inc.* v. *Superior Oil Co.*, supra, 460 F. Supp. at 490:

"The Court secondly holds that formal separation of corporate identities does not raise a constitutional barrier to the exercise of jurisdiction over a non-resident whose affiliated corporation has a substantial nexus with the forum. This follows from the conclusion that the time-honored doctrine of Cannon Manufacturing Co. v. Cudahy Packing Co., 267 U.S. 333, 45 S.Ct. 250, 69 L.Ed. 634 (1925), must no longer be followed. The Court finds Cannon to be limited in scope or modified in holding by International Shoe and its progeny. Reliance on the rule of Cannon is unsound when extraterritorial service is authorized by statute and when personal jurisdiction is predicated on the due process standards of International Shoe." (Emphasis added)

In fact, the confusion and conflict have now reached the point where in addition to the case at bar Beech has been the subject of five other conflicting decisions on the issue of whether its relationship with its distributors makes it amenable to personal jurisdiction for accidents occurring outside the forum state.

Cases Finding No Jurisdiction Over Beech

- Aanestad v. Beech Aircraft Corp., 521 F. 2d 1298 (9th Cir. 1974), cert. den. 424 U.S. 998 (1976);
- 2. Marantis v. Dolphin Aviation, Inc., 453 F. Supp. 803 (S.D. N.Y. 1978).

Cases Upholding Jurisdiction Over Beech

Szantay v. Beech Aircraft Corp., 237 F. Supp. 393
 (E.D. S.C. 1965), aff'd, 349 F. 2d 60 (4th Cir. 1965);

- Dunn v. Beech Aircraft Corp., 276 F. Supp. 91 (E.D. Pa. 1967);
- 3. Scalise v. Beech Aircraft Corp., 276 F. Supp. 58 (E.D. Pa. 1967).

It is thus apparent that the status of the Cannon rule is an issue on which this Court's guidance is urgently needed, not only by Beech, but by all other manufacturers who sell products to distributors, franchisees, or subsidiary companies in other states. Moreover, the Cannon rule having been established by this Court, this Court should be the one to reaffirm or change it.

II.

IF CANNON IS STILL THE LAW, THEN THE ILLINOIS SUPREME COURT'S DECISION, SUBJECTING BEECH TO JURISDICTION FOR A CAUSE OF ACTION ARISING OUTSIDE OF ILLINOIS, VIOLATES BEECH'S RIGHT TO DUE PROCESS OF LAW UNDER THE FOURTEENTH AMENDMENT.

If Cannon is still the law of these states, then the activities of an independent, separately-owned distributor (Hartzog) should not in any way have been considered the activities of Beech for jurisdictional purposes in this case and the order denying Beech's motion to quash should have been reversed. Without Hartzog, the sporadic, isolated activities by Beech in Illinois, set forth in the Illinois Supreme Court's opinion, are patently insufficient to establish general presence jurisdiction over Beech for a cause of action arising outside of Illinois. These Illinois activities by Beech consisted of the following:

- 1) Beech's marketing manager periodically (twelve times in nine years) came to Illinois to promote the sale of Beech planes;
- 2) Beech representatives once put on a sales dinner in Illinois (no sales were consummated);
- 3) The Beech logo had appeared in the Chicago telephone directory in an ad for Hartzog.

In International Shoe Co. v. Washington, 326 U.S. 310 (1945), this Court held that a foreign corporation must conduct "continuous", "systematic" and "substantial" business activities within the forum state in order to subject the corporation to the general jurisdiction of the forum for a cause of action arising elsewhere (326 U.S. at 317). As expressly stated in International Shoe:

"[I]t has been generally recognized that the casual presence of the corporate agent or even his conduct of single or isolated items of activities in a state in the corporation's behalf are not enough to subject it to suit on causes of action unconnected with the activities there." (326 U.S. at 317) (Emphasis added)

Hence, once a year promotions, a one-time sales dinner, and "time to time" visits are exactly the type of "items of activities" which, under *International Shoe*, are insufficient to establish general presence jurisdiction.

The leading case applying the "substantial" and "continuous" business activity requirement is *Perkins* v. *Benguet Consolidated Mining Co.*, 342 U.S. 437 (1952), holding that Ohio could assert general jurisdiction over a foreign corporation for an out-of-state cause of action since the corporation's general manager and principal stockholder lived in Ohio, staffed, maintained, and conducted the corpora-

tion's business from an office in his Ohio home, drew and distributed salary checks on behalf of the company in Ohio, maintained two active bank accounts in Ohio, used an Ohio bank as transfer agent for the company's stock, conducted directors meetings in Ohio and in general carried on a "continuous and systematic supervision" of the company's activities from Ohio (342 U.S. at 448).

How opposite is *Perkins* from the case at bar where Beech has no office or place of business in Illinois and no officers, directors, or employees living or stationed in Illinois.

The Illinois Supreme Court also noted that plaintiffs were Illinois citizens and their suits "are clearly within the ambit of the state's legitimate protective policy" (72 Ill. 2d at 559). But the inability of the plaintiffs' forum residence to confer jurisdiction over a non-forum defendant was established by this Court long ago in Hanson v. Denckla, 357 U.S. 235 (1957). In Denckla, this Court reversed a Florida judgment in a will contest action on the ground that the Florida court lacked jurisdiction over an indispensable party, a trustee who was not a Florida resident. This Court flatly rejected the argument that the Florida court possessed jurisdiction to settle the dispute because the settlor and most of the parties were Florida residents, stating:

"It is urged that because the settlor and most of the appointees and beneficiaries were domiciled in Florida the courts of that State should be able to exercise personal jurisdiction over the non-resident trustees. This is a non sequitur. With personal jurisdiction over the executor, legatees, and appointees, there is nothing in federal law to prevent Florida from adjudicating con-

¹ Reaffirmed in Shaffer v. Heitner, 433 U.S. 186 (1977).

cerning the respective rights and liabilities of those parties. But Florida has not chosen to do so. As we understand its law, the trustee is an indispensable party over whom the court must acquire jurisdiction before it is empowered to enter judgment in a proceeding affecting the validity of a trust. It does not acquire that jurisdiction by being the 'center of gravity' of the controversy, or the most convenient location for litigation. The issue is personal jurisdiction, not choice of law. It is resolved in this case by considering the acts of the trustee. As we have indicated, they are insufficient to sustain the jurisdiction." (357 U.S. at 254) (Emphasis added)

Likewise, in the case at bar, the fact that plaintiffs' decedents resided in Illinois is totally insufficient to sustain jurisdiction over a non-Illinois corporation for an airplane accident that occurred in Canada. Due process and fundamental fairness to Beech require that the issue of jurisdiction over it be limited to a consideration of its own corporate activities in Illinois. In the words of the District Court in Braasch v. Vail Associates, Inc., 370 F. Supp. 809, 814 (N.D. Ill. 1973) (refusing to subject a Colorado resort owner to Illinois jurisdiction in an action for injuries suffered by an Illinois resident): "[I]t is the acts of defendant which are relevant" (emphasis added).

CONCLUSION

To decide the continued vitality of a landmark decision issued more than 50 years ago and thereby resolve the conflict and confusion among the states, circuits and districts including a number of inconsistent opinions involving this particular petitioner, and to align the Illinois Supreme Court's decision in this case with the basic principles of due process set forth by this Court in *International Shoe*, Beech Aircraft Corporation respectfully requests that a writ of certiorari issue to review the judgment and opinion of the Illinois Supreme Court herein.

Respectfully submitted,

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